

Message Text

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PAGE 01 LONDON 12393 01 OF 02 031841Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 IO-13 AGR-01
COME-00 ISO-00 SP-02 ICA-11 AID-05 NSC-05 TRSE-00
SS-15 STR-07 OMB-01 CEA-01 CIAE-00 INR-10 NSAE-00
/122 W

-----080264 031902Z /14

R 031817Z AUG 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8798
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMEMBASSY DAR ES SALAAM
AMEMBASSY SAN SALVADOR
AMEMBASSY GUATEMALA
AMEMBASSY MEXICO
AMEMBASSY MANAGUA
AMEMBASSY BOGOTA
AMEMBASSY YAOUNDE
AMEMBASSY JAKARTA
AMEMBASSY ABIDJAN
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AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
AMEMBASSY BERN
USMISSION GENEVA
AMEMBASSY PORT MORESBY
AMEMBASSY CARACAS
AMEMBASSY PANAMA
AMEMBASSY ROME
AMEMBASSY NAIROBI
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PAGE 02 LONDON 12393 01 OF 02 031841Z

AMEMBASSY TEGUCIGALPA
AMEMBASSY LIMA
AMEMBASSY ASUNCION
AMEMBASSY OTTAWA
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 12393

USEEC AND ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EPAP, ETRD, ICO, EAGR

SUBJECT: COFFEE -- ICO EXECUTIVE BOARD JULY 31, AUGUST
2; CONSUMERS MEETING AUGUST 1-2

1. MAIN THEME OF JULY 31 EXECUTIVE BOARD SESSION WAS COLOMBIAN (ARTURO GOMEZ) REQUEST FOR ASSURANCE FROM CONSUMER MEMBERS THAT THEY WILL JOIN WITH PRODUCERS IN QUICK IMPLEMENTATION OF ECONOMIC PROVISIONS OF INTERNATIONAL COFFEE AGREEMENT. PRODUCER REPRESENTATIVES DID NOT MENTION SPECIFIC PRICE TRIGGERS OR RANGES BUT EXPRESSED DESIRE TO SEE ECONOMIC PROVISIONS TAKE EFFECT EARLY NEXT COFFEE YEAR (BEGINS OCTOBER 1). BRAZIL WAS PARTICULARLY ASSERTIVE IN THIS DISCUSSION: CAMILLO CALAZANS, DIRECTOR OF THE BRAZILIAN COFFEE INSTITUTE (IBC), STATED THAT PRODUCERS NEED TO KNOW WHETHER THE ICA WILL FUNCTION AND, IF NOT, PRODUCERS MAY HAVE TO TAKE OTHER ACTIONS TO DEFEND THEIR INTERESTS. CONSUMERS WERE NON-COMMITTAL. THE FRENCH REPRESENTATIVE STATED THAT HIS GOVERNMENT SHARED THE PRODUCER CONCERN OVER THE CURRENT MARKET SITUATION BUT NO IMMEDIATE ACTION WAS POSSIBLE DURING THE CURRENT MEETING. WITH THE AUGUST VACATION PERIOD
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PAGE 03 LONDON 12393 01 OF 02 031841Z

STARTING, THE FRENCH COULD NOT MAKE ANY DECISIONS UNTIL SEPTEMBER AT THE EARLIEST. OTHER CONSUMERS VOICED SIMILAR SENTIMENTS. AT PRODUCER REQUEST "THE FUNCTIONING OF THE AGREEMENT" WAS PLACED ON EXECUTIVE BOARD AGENDA AND DISCUSSION WAS POSTPONED UNTIL WEDNESDAY AFTERNOON RE-CONVENTION OF THE BOARD AFTER SEPARATE CONSUMER AND PRODUCER CAUCUSES TUESDAY AND WEDNESDAY MORNINGS.

2. EXECUTIVE BOARD DISPOSED OF MORE ROUTINE ITEMS QUICKLY. BOARD ACCEPTED THE REVISED CERTIFICATES OF ORIGIN RULES AFTER THE EC DELEGATE MADE A STATEMENT ON THE EC'S ABILITY TO CONTROL COFFEE SHIPMENTS WITHIN THE COMMUNITY, AND COLOMBIA WITHDREW ITS FORMAL OBJECTION TO THE EC PROCEDURES (COLOMBIA DID SO IN A 'SPIRIT OF CO-OPERATION' AND MAINTAINED THAT THERE STILL REMAIN SHORTCOMINGS IN EC'S ABILITY TO REGULATE COFFEE WITHIN THE COMMUNITY). U.S. REP NOTED THAT U.S. WOULD NOT BE ABLE TO COMPLY PRECISELY WITH THE CERTIFICATES OF ORIGIN RULES UNTIL IMPLEMENTING LEGISLATION IS PASSED. HE SAID IF SITUATION AROSE (I.E. QUOTAS IN EFFECT) THE U.S. WOULD CONSULT WITH EXECUTIVE DIRECTOR ON PROVISIONAL MEASURES

AND WOULD MAKE ITS BEST EFFORT TO INSURE THE EFFECTIVE OPERATION OF THE CERTIFICATES OF ORIGIN SYSTEM. BRAZIL- IAN REP REGRETTED U.S. DOES NOT HAVE IMPLEMENTING LEGIS- LATION BUT WELCOMED U.S. STATEMENT.

3. NO DECISION WAS REACHED ON REVISING PROCEDURES FOR CALCULATING INDICATOR PRICES. AT THEIR MEETING THE CON- SUMERS RECOMMENDED THAT THE WORKING GROUP ON INDICATOR PRICES BE RECONVENED. AT THE AUGUST 2 SESSION, THE BOARD ACCEPTED THE PROPOSAL AND INSTRUCTED THE EXECUTIVE DIRECTOR TO SCHEDULE AN APPROPRIATE MEETING. THE SECRETARIAT ALSO CIRCULATED THE ICO STUDY ON THE GUATE- MALAN COFFEE SECTOR AND THE EXECUTIVE DIRECTOR INFORMED THE GROUP THAT A GENERAL SYNTHESIS ON SUPPLY AND DEMAND LIMITED OFFICIAL USE

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PAGE 04 LONDON 12393 01 OF 02 031841Z

IN THE INTERNATIONAL COFFEE MARKET, BASED ON RECENT ICO STUDIES OF INDIVIDUAL COUNTRIES, WOULD BE READY IN SEPTEMBER.

4. THE AUGUST 1-2 CONSUMER MEETING WAS DEVOTED MOSTLY TO AN EXAMINATION OF ARTICLE 33 (QUOTA IMPOSITION BY

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PAGE 01 LONDON 12393 02 OF 02 031838Z
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PAGE 02 LONDON 12393 02 OF 02 031838Z

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TRIGGER PRICES) AND ARTICLE 38 (ESTABLISHMENT OF A
PRICE RANGE) OF THE AGREEMENT. THE DISCUSSION DEMONSTR-
ATED THAT BOTH OF THESE ARTICLES, FROM THE CONSUMER
VIEWPOINT, COULD PRESENT CERTAIN PITFALLS IF IMPLEMENTED.
THERE WAS NO CONSUMER CONSENSUS ON WHICH ARTICLE THE
COFFEE COUNCIL IN SEPTEMBER SHOULD TAKE ACTION ON BUT THE
FRG, US AND FRANCE EXPRESSED PREFERENCES FOR ARTICLE 33.
THERE WAS GENERAL AGREEMENT THAT CAREFUL ANALYSIS SHOULD
PRECEDE ANY DECISION. THE FRG REPRESENTATIVE CAUTIONED
THAT A PRICE RANGE SELECTION SHOULD NOT BE ATTEMPTED
UNTIL THE MARKET HAD RETURNED TO A PERIOD OF NORMALITY.
THE U.S. REP STATED THAT THE U.S. IS COMMITTED TO PARTI-
CIPATE IN THE REVIEW AND POSSIBLE REVISION IN SEPTEMBER
OF THE TRIGGER PRICE (ARTICLE 33) BUT IT WOULD BE

PREMATURE TO DECIDE ON A PRICE RANGE IN SEPTEMBER.

5. AT THE AUGUST 2 EXECUTIVE BOARD, PRODUCERS REITERATED THEIR PREFERENCE FOR OCTOBER 1 IMPLEMENTATION OF ECONOMIC PROVISIONS OF THE AGREEMENT UNDER ARTICLE 38. CONSUMERS INDICATED THEY WOULD BE PREPARED TO EXAMINE BOTH ARTICLES 33 AND 38 BUT WITH NO PRIOR COMMITMENTS. AFTER SOME DISCUSSION OF THE QUOTA AND PRICE PROVISIONS, LIMITED OFFICIAL USE

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PAGE 03 LONDON 12393 02 OF 02 031838Z

THE BOARD DECIDED TO MOVE UP ITS NEXT MEETING TO SEPTEMBER 13 TO PERMIT FULL EXAMINATION OF ALL ECONOMIC PROVISIONS IN CHAPTER VII BEFORE THE SEPTEMBER 25 COUNCIL.

6. COMMENT: PRODUCERS APPEARED SHAKEN BY THE SUDDEN SLUMP IN COFFEE PRICES IN THE PAST SEVERAL WEEKS. THEY WOULD LIKE TO INTRODUCE QUOTAS AS SOON AS POSSIBLE TO FORESTALL A CONTINUED SLIDE. HOWEVER, AS BOTH THE BRAZILIANS AND COLOMBIANS ADMITTED IN INFORMAL CONVERSATIONS, THEY HAVE NO SPECIFIC PROPOSALS FOR HOW THE QUOTA SYSTEM SHOULD OPERATE IF TRIGGERED. A NUMBER OF COMPLICATED TECHNICAL ISSUES REMAIN TO BE RESOLVED BEFORE QUOTAS COULD WORK AND IT IS POSSIBLE EITHER BRAZIL OR COLOMBIA OR BOTH WILL WISH TO CONSULT THE DEPARTMENT ON THESE BEFORE THE SEPTEMBER MEETING.

BREWSTER

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